

COMMENTARY

Highlights for the period



Income Statement Revenue

Turnover increased by 45% to \$36,1m due to early maize seed sales and improved winter cereal seed sales.

Margins

Gross margin rose by 9 percentage points to 49% attributable to the increased maize seed sales volumes.

Other Income

Other income mainly relates to doubtful debts recoveries and non-seed sales offset by reduced exchange losses this period.

Overheads

Operating expenses went up by 27% on account of increased research activities at Muzarabani and Potchefstroom research stations as well as increased throughput at the technical laboratory. There were also increased sales and marketing activities in some markets ahead of the selling season. In addition, non-recurring costs associated with the impending group restructuring exercises were incurred during the period.

Finance Charges

Finance charges declined as a result of the Group's reduced net debt position at year end following strong cash generation in the last financial year.

Earnings

The loss after tax improved from \$9,3m to \$2,0m due to growth in maize sales, reduced finance costs and exchange losses and early cotton seed sales that saw the cotton business posting a profit as compared to a loss in the prior year.

Statement of Financial Position Non Current Assets

Property, plant and equipment increased by \$1,6m from prior year end arising from acquisition of land in Botswana; construction of buildings at Potchefstroom research station; capital improvements at research stations in Zimbabwe; purchase of vegetable seed processing and packing plants by Prime Seed Co.

Loans and receivables decreased as some treasury bills which were previously classified as long-term were reclassified to current assets because their maturity dates now fall within the next twelve months.

Current Assets Inventory Levels

The stock levels are up due to deliveries of current year production by growers in preparation for the upcoming selling season in the second half of the year.

Trade and Other Receivables

Trade receivables increased due to winter cereal sales. Cumulative collections since year end were \$38m. Included in the receivables balance are amounts due from various regional governments amounting to \$11,6m. While significant progress has been made on collection of government receivables, efforts are being made to get the outstanding amounts liquidated soon.

Other receivables include grower advances and prepayments. These have increased due to inclusion of treasury bills maturing in less than a year of \$7,6m reclassified from loans and receivables.

Cash and cash equivalents

Payments for dividend, capital expenditure, seed deliveries, fertilizer, chemicals, tax and operating expenses were largely responsible for the depletion of cash and cash equivalents from \$55m as at year end to \$24m at the end of September 2017.

Equity

Share capital and share premium under non-distributable reserves increased mainly due to the scrip dividend offer taken up by some shareholders. On the other hand; retained earnings declined due to the dividend and the year to date loss.

Borrowings

The current bank borrowings requirement was reduced as cash resources available were largely used to fund the Group's activities during the first half of the financial year. The United States Dollar denominated Group borrowings are at interest rates of between 3.5% and 8% while the cost of local currency borrowings ranges from 15% to 27% depending on country. All borrowings are secured against property, inventories and receivables.

Seed Supply

Anticipated demand for the current selling season may lead to a stock sell out position in the Group though this will be mitigated by moving inventories between subsidiary companies to ensure that the right seed is available in the appropriate market.

Research and Technology

Progress has been made in listing our products on the COMESA catalogue which enables free trade of seed without the need for further trials once the product has been released in a particular market. So far we have registered the following on the catalogue:

- 11 maize varieties,
- 4 soybean varieties, and
- 3 groundnut varieties

The genotyping laboratory is working very well with all testing now being done in-house.

The first generation of MLND tolerant hybrids have been submitted for registration in Kenya.

Outlook

- We expect a stable set of earnings due to the following:
- continued market share growth in key markets, particularly East Africa as adoption of our hybrids in that region is on the rise and
 - the continuing input programmes in Zambia, Zimbabwe and Malawi.

The bumper maize harvests recorded in Zambia and Malawi have led to a subdued commodity price for grain, and it is not yet clear what the overall impact on the demand of seed will be in these markets, but we expect it to remain steady. The early weather forecasts indicate a normal rainfall season in most of our markets.

Directorate

There were no changes to the directorate during the period under review.

Dividend

No dividends were declared during the first six months as per Group policy.

By Order of the Board
J. Matorofa
Secretary

Registered Office
Shamwari Road
Stapleford

Transfer Secretaries
Corpserve (Pvt) Ltd
4th Floor Intermarket Centre
Corner First Street/Nkwame
Nkrumah Avenue, Harare

Directors: D E B Long (Chairman), M Nzwere (Group Chief Executive), A G Barron, B Carette, R C D Chitengu, M Debrand, Dr D Garwe, P Gowero, D Jacquemond, C Kabaghe, J Matorofa (Group Finance Director), M S Ndoro, F H Ruwende

SUPPLEMENTARY INFORMATION

1. Corporate Information

-Seed Co Limited is a company which is incorporated and domiciled in Zimbabwe and listed on the Zimbabwe Stock Exchange, is a holding company for a Group of companies domiciled in Botswana, DRC, Kenya, Malawi, Nigeria, Rwanda, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe, whose principal activities are the processing of agricultural seed on a commercial basis.

- These financial statements are presented in United States Dollars being the currency of primary economic environment, in which the Group operates.

2. Accounting Policies

- The principal accounting policies of the Group have been consistently followed in all material respects.

3. Basis of Preparation

-The basis of preparation of these financial statements is International Financial Reporting Standards.

3. Capital Expenditure

- Capital expenditure for the period was US\$3,548,943 (Sept 2016:US\$3,249,237).

4. Commitments for Capital Expenditure

- Authorised by directors but not contracted was US\$8,704,027 (Sept 2016:\$3,834,169)
- The capital expenditure will be financed out of the group's own resources and existing facilities.

6. Depreciation

- Depreciation for the year was US\$1,864,001 (Sept 2016:US\$1,811,538).

7. Contigent Liabilities

- There were no contingent liabilities as at 30 September 2017.

8. Approval of financial statements

- The underlying financial statements to these results were approved by the Board on 23 November 2017.

9. Operating Segments

	Zimbabwe Operations US\$	Regional Operations US\$	Total US\$
30 September 2017			
Segment Revenue	17,783,534	23,026,150	40,809,684
Inter- segment revenue	(435,429)	(4,299,693)	(4,735,122)
External Revenue	17,348,105	18,726,457	36,074,562
	(1,077,298)	(741,960)	(1,819,258)
Segment operating loss			
30 September 2016			
Segment Revenue	9,765,357	17,753,876	27,519,233
Inter- segment revenue	-	(2,711,684)	(2,711,684)
External Revenue	9,765,357	15,042,192	24,807,549
	(815,652)	(6,740,367)	(7,556,020)
Segment operating loss			

ABRIDGED GROUP INCOME STATEMENT

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Unaudited Half year Sept 2017 US\$	Unaudited Half year Sept 2016 US\$	Audited year ended March 2017 US\$
Revenue	36,074,562	24,807,549	134,574,106
Cost of sales	(18,257,028)	(14,986,946)	(61,317,423)
Gross profit	17,817,534	9,820,603	73,256,683
Other income / (expense)	382,103	(1,665,784)	(98,379)
Operating expenses	(20,018,895)	(15,710,838)	(44,033,122)
Operating (loss) / profit	(1,819,258)	(7,556,020)	29,125,182
Finance income	805,596	559,390	1,695,090
Finance costs	(1,283,869)	(2,141,284)	(4,117,132)
Share of profit / (loss) from associates	505,690	(272,001)	395,468
(Loss) / profit before taxation	(1,791,841)	(9,409,914)	27,098,608
Income tax (expense) / credit	(214,052)	119,052	(6,388,878)
(Loss) / profit for the period	(2,005,893)	(9,290,862)	20,709,730
Attributable to:			
Equity holders of the parent	(1,814,684)	(9,290,862)	20,709,730
Non-controlling interest	(191,209)	-	-
(Loss) / profit attributable to shareholders	(2,005,893)	(9,290,862)	20,709,730

Earnings per share

Earnings per share -basic, for (loss) / profit for the year attributable to equity holders of the parent -cents	(0.83)	(3.96)	8.77
Diluted earnings per share for (loss) / profit for the year attributable to equity holders of the parent -cents	(0.83)	(3.96)	8.73

ABRIDGED GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Unaudited Half year Sept 2017 US\$	Unaudited Half year Sept 2016 US\$	Audited year ended March 2017 US\$
(Loss)/ profit for the period	(2,005,893)	(9,290,862)	20,709,730
Other comprehensive income			
Net exchange difference on translation of foreign operations	(243,192)	(4,202,985)	3,500,153
Total comprehensive (loss)/income for the period, net of tax	(2,249,085)	(13,493,847)	24,209,883
Attributable to:			
Equity holders of the parent	(2,057,876)	(13,493,847)	24,209,883
Non-controlling interest	(191,209)	-	-
	(2,249,085)	(13,493,847)	24,209,883

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Unaudited Half year Sept 2017 US\$	Unaudited Half year Sept 2016 US\$	Audited year ended March 2017 US\$
ASSETS			
Property, plant and equipment	67,167,489	64,421,562	65,568,600
Investment in associates	3,844,419	3,071,260	3,738,729
Goodwill	264,472	264,472	264,472
Loans and receivables	12,613,124	24,063,574	19,448,259
Inventories and biological assets	42,546,593	48,260,198	25,247,655
Trade receivables	43,218,228	38,028,810	41,780,411
Other receivables	30,209,353	8,151,389	21,722,694
Cash and cash equivalents	24,452,503	10,138,088	55,290,579
Total assets	224,316,181	196,399,353	233,061,399
EQUITY AND LIABILITIES			
Equity			
Share capital	240,739	234,449	236,233
Non-distributable reserves	31,588,058	20,338,192	25,950,268
Retained earnings	125,324,997	105,796,221	137,692,044
Equity attributable to equity holders of the parent	157,153,794	126,368,862	163,878,545
Non-controlling interest	1,837,500	-	-
Total equity	158,991,294	126,368,862	163,878,545
Liabilities			
Deferred tax liability	5,635,238	6,121,487	6,448,617
Bank borrowings - non-current	270,950	410,233	270,950
Bank borrowings - current	32,657,922	45,191,528	37,160,861
Other current liabilities	26,760,777	18,307,243	25,302,426
Total liabilities	65,324,887	70,030,492	69,182,854
Total equity and liabilities	224,316,181	196,399,353	233,061,399

ABRIDGED GROUP STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Unaudited Half year Sept 2017 US\$	Unaudited Half year Sept 2016 US\$	Audited year ended March 2017 US\$
Operating activities			
(Loss)/ profit before tax	(1,791,841)	(9,409,914)	27,098,608
<i>Non-cash adjustment to reconcile profit before tax to net cashflows</i>	<i>1,420,190</i>	<i>5,313,529</i>	<i>12,815,064</i>
<i>Working capital adjustments and tax paid</i>	<i>(26,569,546)</i>	<i>(18,620,570)</i>	<i>(10,814,968)</i>
Net cash flows from operating activities	(26,941,197)	(22,716,955)	29,098,704
Investing activities			
Proceeds from sale of property, plant and equipment	124,002	111,287	398,116
Purchase of property, plant and equipment	(3,584,943)	(3,249,237)	(6,295,628)
Decrease in loans and receivables	6,835,135	6,825,762	10,434,814
Dividend received from associate	400,000	-	400,000
Decrease in investment in existing subsidiaries	1,837,500	-	-
Interest received	805,596	559,390	1,695,090
Net cash flows generated from investing activities	6,417,290	4,247,203	6,632,392
Financing activities			
Proceeds from exercise of options	669,207	-	233,992
Dividend paid	(5,144,872)	(4,688,969)	(4,688,969)
Long term loan repaid	-	(864,765)	(1,004,048)
Interest paid	(1,283,869)	(2,141,284)	(3,110,869)
Net cash flows used in financing activities	(5,759,534)	(7,695,018)	(8,569,894)
Net (decrease)/ increase in cash and cash equivalents	(26,283,441)	(26,164,770)	27,161,202
Effects of exchange rate changes on cash and cash equivalents	(51,695)	142,511	(303)
Cash and cash equivalents at beginning of period	18,129,718	(9,031,181)	(9,031,181)
Cash and cash equivalents at end of period	(8,205,418)	(35,053,440)	18,129,718

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017

	Attributable to owners of the parent					Non-controlling interest	Total equity
	Share capital	Non-distributable reserves	Retained earnings	Changes of ownership Reserve	Total		
	US\$	US\$	US\$		US\$	US\$	US\$
As at 31 March 2016	234,448	24,350,900	118,326,223	190,277	143,101,848	-	143,101,848
Profit for the year	-	-	20,709,730	-	20,709,730	-	20,709,730
Other comprehensive income	-	3,500,153	-	-	3,500,153	-	3,500,153
Total comprehensive income	-	3,500,153	20,709,730	-	24,209,883	-	24,209,883
Dividends	-	-	(4,688,969)	-	(4,688,969)	-	(4,688,969)
Share options exercised	1,784	1,253,998	-	-	1,255,782	-	1,255,782
Realisation of revaluation reserve through use	-	(181,298)	181,298	-	-	-	-
Transfer to retained earnings	-	(3,163,762)	3,163,762	-	-	-	-
As at 31 March 2017	236,232	25,759,991	137,692,044	190,277	163,878,544	-	163,878,544
Loss for the period	-	-	(2,005,893)	-	(2,005,893)	-	(2,005,893)
Other comprehensive income	-	(243,192)	-	-	(243,192)	-	(243,192)
Total comprehensive income	-	(243,192)	(2,005,893)	-	(2,249,085)	-	(2,249,085)
Dividends	-	-	(10,361,154)	-	(10,361,154)	-	(10,361,154)
Sale of subsidiary shares to non-controlling interest	-	-	-	-	-	1,837,500	1,837,500
Share options exercised	869	668,338	-	-	669,207	-	669,207
Issue of share capital	3,638	5,212,644	-	-	5,216,282	-	5,216,282
As at 30 September 2017	240,739	31,397,781	125,324,997	190,277	157,153,794	1,837,500	158,991,294

SEED CO LIMITED UNAUDITED ABRIDGED GROUP RESULTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2017



The African Seed Company



IT STARTS WITH THE RIGHT SEED

THE HOME OF BUMPER HARVESTS

